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FOR UNDER SECRETARY BURNS FROM AMBASSADOR MCCALLUM

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SUBJECT: SCENE SETTER FOR YOUR VISIT TO AUSTRALIA

Classified By: Ambassador Robert D. McCallum for reasons 1.4 a, b, d.

SUMMARY

1. (C/NF) Your visit comes on the heels of Australia's November 24 federal election in which voters decisively rejected John Howard and his Liberal/National coalition government after more than eleven years in office, and embraced opposition Australian Labor Party (ALP) leader Kevin Rudd. Rudd, a former diplomat and longtime Shadow Foreign Minister, campaigned on a platform of new leadership with a focus on such domestic issues as labor laws, climate change, education and health. Rudd will not announce his cabinet until later this week, on the eve of your visit, but the general outlines of his foreign policy are known.

2. (C/NF) We expect a Rudd government to exhibit strong continuity with the Howard government in many foreign policy issues of strategic interest to us, and to reflect close parallels in the U.S. approach and thinking to major global challenges. Rudd and the ALP are committed to the alliance with the United States, including a continued close defense and intelligence relationship, but have signaled that Australia will adopt a more independent stance towards us than John Howard. Issues on which Rudd's policies are likely to diverge from those of his predecessor and the United States include Iraq, climate change and China. He is likely to be strongly supportive on tough arms control and nonproliferation issues, including denuclearization of North Korea and Iran, but he has flagged his opposition to the U.S.-India civil nuclear agreement because India has not signed the NPT. We can expect Australia's continued contributions to military operations targeting the Taliban and al-Qaeda in Afghanistan. End Summary.

U.S. Alliance

3. (C/NF) The Australian Labor Party (ALP) takes credit for establishing the alliance with the United States during World War II, which ultimately led to the 1951 Australia-New Zealand-United States (ANZUS) Treaty, and the ALP continues to include support for the U.S. alliance as one of the three pillars of the party platform. Rudd, a former diplomat, has made clear his personal commitment to the alliance, and was

quick to reach out to the United States in his election victory speech - the only foreign country he mentioned. Rudd stressed in his campaign that he would be more independent from the United States than his predecessor, however, and has already flagged some key policy differences. You should reciprocate expected expressions of strong support for the alliance and commitments to strengthening it, and should urge that the new foreign and defense ministers commit to U.S.-Australia Ministerial (AUSMIN) consultations early in 2008.

Iraq

14. (C/NF) The first test of the Rudd government's handling of the alliance will be on Iraq. Rudd has pledged to withdraw approximately 550 combat troops comprising the Overwatch Battle Group from southern Iraq, while leaving in place a 100-man security detachment for its diplomatic mission in Baghdad, an Army training team of similar size, and naval and air patrol assets based in neighboring countries that support operations in both Iraq and Afghanistan. While the Australian combat troops have a passive, back-up role to Iraqi security forces, rather than an active combat role, they have served as an important symbol of Coalition unity and of Australia's support of the U.S. in the Global War on Terror. Rudd has nuanced his withdrawal pledge, promising to consult in advance with the Iraqis, the United States and other allies. Beyond the issue of the combat troops, the Australians are keenly interested to work with the U.S. and Iraqis as the Iraq UN mandate lapses to ensure their forces in Iraq remain under a legitimate authorization, whether it is a follow-on UN mandate, or some other agreement the U.S. negotiates with Iraq.

CANBERRA 00001682 002 OF 003

15. (C/NF) In your discussions with Rudd, you will have an opportunity to elicit greater details of his plan, to hold him to his promise to consult with us before withdrawing any troops, and urge that any withdrawal only be done in conjunction with the reduction of our surge troops. Rudd realizes that an unstable and insecure Iraq is not in the world's interest or Australia's. We believe that Rudd will be sensitive to the potential adverse consequences to Coalition unity and will be willing to consider alternatives that allow him to keep his campaign promise while minimizing the potential harm of any Australian action. For instance, Rudd has indicated he is open to increasing the training contribution in Iraq, even as he withdraws combat elements, so we need to press him to follow through on that.

16. (C/NF) You should encourage Rudd and his senior ministers to visit Iraq as early as possible to see for themselves the positive developments, especially on the security front. Such a visit will allow them to understand better the dimensions of the tasks that remain. We can then argue more effectively for the assumption by Australia of other supporting roles, such as the expansion of its Army Training Team or the creation of an Australian Provincial Reconstruction Team.

Afghanistan

17. (C/NF) With respect to the War on Terror, there has been bipartisan support in Australia up to now for its troop commitment in Afghanistan. The Labor distinction between Iraq and Afghanistan is supposedly based upon the training of the Bali bombers in Afghanistan and the impact of the Afghan drug trade on Australia, as well as on the lack of a UN mandate for Operation Iraqi Freedom. We can expect Rudd to reaffirm Australia's commitment to its mission there, although Australian public opinion may begin to turn against Afghanistan, too. Three Australian soldiers have been killed in Afghanistan over the past two months. There is a possibility that, if Rudd withdraws combat troops from Iraq,

some could be redeployed to augment the Australian force in Afghanistan. As with Iraq, you should press for Rudd and his senior ministers to make an early visit to Afghanistan to assess conditions on the ground, and to urge him to consider a larger security role and additional reconstruction assistance.

Climate Change

¶8. (C/NF) The second area of major disagreement by Labor with U.S. policy is climate change, a topic that resonates strongly in Australia where many see a direct causal link with a series of recent, very severe droughts. Rudd may want to distance himself publicly from the United States on this issue, as we are widely - and mistakenly - viewed in Australia as being opposed to meaningful greenhouse gas reductions, but a Rudd Government will almost certainly want to continue close cooperation with us on effective ways for meaningful progress in the future. Beyond a pragmatic desire to find the least costly way to address climate change, Australia should continue to be a valuable partner in international fora because of its dependence on coal for domestic electricity production, significant coal exports, and desire to continue its remarkable economic growth.

¶9. (C/NF) A new Labor government is committed to immediate ratification of the Kyoto Protocol. Ratification is relatively cost-free because Australia will come very close to meeting its Kyoto targets. Rudd has announced that he will personally head up Australia's climate policy and will attend the Bali meeting in early December to begin the process of hammering out a post-2012 climate change framework. Rudd has pledged that Australia would not sign a post-Kyoto framework that does not include commitments to reduction targets by developing countries such as China and India. GOA climate change negotiators do not expect to see a significant departure under the new Rudd government from the Howard government's key positions at Bali, and believe that close cooperation between the U.S. and Australia would continue in that process.

CANBERRA 00001682 003 OF 003

¶10. (C/NF) We recommend a low-key public posture on Australia's ratification of the Kyoto Protocol (as it is mostly symbolic for domestic political consumption), while making clear our desire to work closely with Australia to develop viable and effective ways to address climate change post-2012 without sacrificing economic development.

China

¶11. (C/NF) A third dynamic in the U.S. relationship with a new Labor government is China. Rudd will almost certainly bring the issue of China's role in the region and beyond into his early discussions with us. He, as most Australians, views the Chinese export market as a critical component of Australia's growth now and well into the future. In addition, Rudd is a Mandarin-speaking former diplomat who served in Beijing. He is thought likely to be more sensitive to Chinese concerns on issues ranging from regional security to human rights. He objected to the Howard-Abe March 2007 Joint Declaration on Security Cooperation with Japan and to quadrilateral discussions between the U.S., Australia, Japan and India because of sensitivities toward China. However, Rudd shares our position that China needs to be encouraged to be a responsible stakeholder in the international system, and Rudd has previously expressed support for the U.S. in any conflict over Taiwan. Judging by his public statements and private assertions, Australia's relationship with China is unlikely to change with Rudd in power.

Other Issues

¶13. (C/NF) Finally, Australia under Rudd will likely continue

to be a strong ally of the United States on counterproliferation and arms control issues. He is likely to continue Australia's support for our position on the North Korea and Iran nuclear issues. However, he has signaled his opposition to the U.S.-India civil nuclear agreement and to Howard's policy decision to sell uranium to India. Rudd argues that the policy undermines the Nuclear Nonproliferation Treaty, which India has not signed. Of particular concern to us is that the Rudd government may block consensus in the Nuclear Suppliers Group to the 123 Agreement, a precondition for the civil-nuclear deal.

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